

# The Value of Registered Valuers

Gary Garner PhD, General Secretary, New Zealand Institute of Valuers

**Rather than reinvent the wheel Williams'Harvey is contributing an article (abridged) recently written by Gary Garner PhD, the New Zealand Institute of Valuer's (NZIV) General Secretary regarding the increasing amount of commentary in recent times promoting wider application for digital valuation tools or Automated Valuation Models (AVM's). Given the current environment this is timely advice in a marketplace fraught with challenges and complexities.**

■ "While AVM's have their place, they are certainly not a replacement for Registered Valuers conducting professional valuations. There is a good analogy here with autonomous (self-drive) cars. The technology may be fantastic, but occasionally things can, and do, go horribly wrong.

The paradox here is that during their university training (a 3/4 year programme), aspiring valuers are specifically taught how not to act just like a computer. They are trained to recognise the dangers inherent in relying upon purely mathematical averages and algorithms – yet at the same time, learning how to take such information into account. And, of critical importance: they are taught

how to exercise human balance and judgment – something that computers typically find quite impossible to mirror.

Registered Valuers also have an additional period of three years of internship after graduating before they can sign-off a valuation report. This means having a total of 6/7 years of training before being able to legally operate. In addition, Registered Valuers are also required to undertake their activities in accordance with the Valuers Act (1948) and associated Ministerially approved New Zealand Institute of

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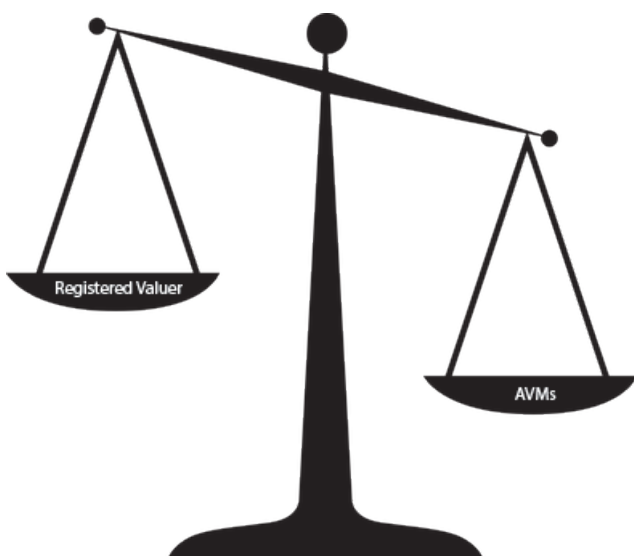
Valuers (NZIV) Rules and Code of Ethics. Aside from being required to maintain their professional competency, Valuers are also required to act independently and with complete impartiality. Furthermore, under the Valuers Act the NZIV has a legal duty to protect the

interests of the public in relation to valuations of land and related subjects. There is no such mandate or requirement for AVM's.

The valuation profession, like other

professions, rely upon ways of thinking and interpretation that just cannot be digitised – even though digital information is typically collated and analysed as part of the process.

It is for this reason that the usefulness (when used cautiously) of AVM systems have been generally restricted to property types where there are large, homogenous data sets available – e.g., low to medium value residential properties. It is highly improbable that these systems will ever prove as useful for other property types where there are typically far fewer transactions (comparable properties) available for analysis. For example, rural properties, industrial properties, office blocks, mining sites, hotels and accommodation houses - to name just a few. These properties are by their nature, not all that homogenous and typically vary widely in terms of



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their landforms, topography, land use, productivity, infrastructure availability, consent restrictions and caveats, building materials / quality and design - and a host of other variables. It is not feasible that anything other than a human can take this complex web of variations into account - and then trying to balance up conclusions based on empirical evidence that is often in short supply. Computers are not good at this and helps explain why they are not commonly used in these arenas.

The analogy of the judge exercising reasoning used earlier is not so far removed from reality here. It is for this reason Registered Valuers are also

called in as expert witnesses to assist the courts in making determinations. There are also a number of registered valuers appointed to the Land Valuation Tribunal, including several appointees to the High Court in NZ - sitting with the Justice who relies upon the Valuer's technical knowledge in order to draw conclusions and consider evidence.

The valuation profession in New Zealand is a part of a progressive open market economy, characterised by strong, transparent and trusted property systems. Registered Valuers have a key role to play in ensuring market participants are properly informed. Independent valuation

advice, based on international best practice standards, provides confidence for buyers, sellers and lending institutions. The involvement of Registered Valuers in the valuation process in New Zealand sets it apart from other jurisdictions where vested interests can bring pressure to bear, unduly prejudicing the wider public interest.

In short - in the valuation world, it is contended that, like many things in this life, you get what you pay for.

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